

## Message Text

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ACTION EUR-12

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TREASURY DEPT WASHDC  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LUXEMBOURG  
AMEMBASSY PARIS  
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USEEC ALSO FOR EMBASSY  
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SUBJECT: BRITAIN AND THE EC -- A WORKING LEVEL VIEW

### INTRODUCTION

A YEAR AFTER THE END OF THE TRANSITION TO FULL  
BRITISH MEMBERSHIP IN THE EC, THE LONDON-BASED BUREAU-  
CRACY AND ITS RELATED WEB OF PRIVATE INTEREST GROUPS IS  
BEGINNING TO COME TO TERMS WITH THE PRESENCE OF A NEW EX-  
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TERNAL CONSTRAINT ON THEIR DAY-TO-DAY ACTIVITIES. A RIV-  
AL BUREAUCRACY IN BRUSSELS, OPERATING UNDER DIFFERENT LEG-  
ISLATION AND RULES, WITH SEPARATE LOYALTIES AND TRADI-  
TIONS, HAS SUCCEEDED IN PUTTING BRITISH CIVIL SERVANTS ON  
THE DEFENSIVE, FORCING THEM NOT ONLY TO RETHINK MANY PRE-  
VIOUSLY HELD POSITIONS BUT ALSO TO EXPAND THE CONTEXT IN  
WHICH THEY OPERATE.

1. THIS MESSAGE STEMS FROM A RECENT VISIT TO BRUSSELS BY THE EMBASSY'S FINANCIAL ECONOMIST. IT IS INTENDED TO EXAMINE THE EMERGING RELATIONSHIP BETWEEN BRITAIN AND THE COMMUNITY AS IT AFFECTS THE MORE WORKADAY ISSUES OF INDUSTRIAL AND EMPLOYMENT POLICY, RATHER THAN THE MORE CENTRAL QUESTIONS OF MACROECONOMIC POLICY COORDINATION, MONETARY UNIFICATION, OR THE COMPLEX SECTORAL ISSUES OF AGRICULTURE AND FISHERIES. HAVING LOOKED AT TWO PARTICULAR CASES, THE MESSAGE THEN SHIFTS GEARS TO LOOK AT SOME ORGANIZATIONAL CHANGES WITHIN BOTH THE BRITISH AND THE EC BUREAUCRACIES THAT APPEAR TO HAVE BEEN SET IN TRAIN AS A RESULT OF BRITISH MEMBERSHIP. IT CONCLUDES WITH SOME OBSERVATIONS ABOUT THE LIKELY DIRECTION OF THE UK-EC RELATIONSHIP.

2. THE MESSAGE PROCEEDS FROM THE PREMISE THAT THE ISSUE OF UK MEMBERSHIP IN THE COMMUNITY WAS SETTLED BY THE 1975 REFERENDUM. THUS, WHILE BRITAIN MAY BE ABLE TO VETO COMMUNITY ACTION IN A GIVEN AREA (FISHERIES IS A RECENT EXAMPLE), ITS ACCEPTANCE OF THE ROME TREATY MAKES IT IMPOSSIBLE TO TAKE SUCH A STANCE AT EVERY POINT OF CONFLICT WITH THE COMMUNITY'S CENTRAL INSTITUTIONS. INSTEAD, BRITAIN HAS ALLOWED ITSELF TO BE DRAWN INTO AN ONGOING DIALOGUE WITH THE COMMUNITY MOVING TOWARD COMPROMISE ON BASICALLY DOMESTIC ISSUES, MADE CONTENTIOUS BY THEIR ELEVATION TO A COMMUNITY CONTEXT.

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THE TEMPORARY EMPLOYMENT SUBSIDY

3. THIS TENDENCY TO COMPROMISE ON LESSER ISSUES WAS RECENTLY DEMONSTRATED IN THE CASE OF THE UK TEMPORARY EMPLOYMENT SUBSIDY (TES). INTRODUCED IN 1975, THE TES PROVIDED A SUBSTANTIAL INCENTIVE TO EMPLOYERS NOT TO LAY OFF EMPLOYEES. IT WAS INTENDED AS A SHORT-TERM EXPEDIENT ALLOWING FIRMS TO MAINTAIN EMPLOYMENT DURING A CYCLICAL DOWNTURN. THAT DOWNTURN PROVED LONGER THAN ANTICIPATED, AND DOMESTIC ECONOMIC AND POLITICAL CIRCUMSTANCES DICTATED THAT THE TES BE RENEWED IN 1976, 1977 AND AGAIN IN 1978. THESE EXTENSIONS SUCCEEDED IN SUSTAINING EMPLOYMENT IN SUCH POLITICALLY AND REGIONALLY SENSITIVE, BUT HARDLY Viable IN THE LONGER TERM, INDUSTRIES AS TEXTILES, CLOTHING, AND SHOES.

4. BEFORE BRITAIN JOINED THE EC A MEASURES LIKE THE TES MIGHT HAVE RAISED FEW EYEBROWS OUTSIDE THE UK. HOWEVER, IN 1977, THE COMPETITION DIRECTORATE (DG-4) OF THE EUROPEAN COMMISSION NOTIFIED THE UK DEPARTMENT OF EMPLOYMENT THAT THE TES WAS IN CONTRAVENTION OF THE TREATY OF ROME AND HAD TO BE TERMINATED. THIS LED TO A SERIES OF DISCUSSIONS DURING WHICH OFFICIALS OF THE DEPARTMENT OF EMPLOYMENT WERE RAPIDLY EDUCATED AS TO THE AUTHORITY AND

OPERATION OF THE COMMISSION IN THE AREA OF COMPETITION POLICY. THE OUTCOME WAS A COMPROMISE IN WHICH THE UK AGREED TO SUBSTANTIAL MODIFICATIONS OF THE TERMS WITHIN WHICH THE TES WOULD BE GRANTED, WHILE THE COMMISSION ACCEPTED A TERMINATION DATE OF MARCH 1979 RATHER THAN THE IMMEDIATE ELIMINATION IT HAD SOUGHT INITIALLY. WHILE

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FM AMEMBASSY LONDON  
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BOTH SIDES COULD AND DID POINT TO CONCESSIONS MADE BY THE OTHER, THE FINAL OUTCOME WAS CLEARLY CLOSER TO THE COMMISSION'S ORIGINAL POSITION.

INDUSTRIAL INCENTIVES

5. IN A SIMILAR VEIN, THE UK NETWORK OF GENERAL AND REGIONAL INDUSTRIAL SUBSIDIES IS COMING UNDER SCRUTINY IN THE COMMISSION. ONE SUCH MEASURE, THE REGIONAL DEVELOP-

MENT GRANT, IS CURRENTLY VIEWED BY DG-4 AS BEING MORE A KIN TO A 22 PERCENT OPERATING SUBSIDY RATHER THAN A ONCE-AND-FOR-ALL INCENTIVE TO FIRMS AGREEING TO INVEST IN A REGION  
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DESIGNATED FOR SPECIAL ASSISTANCE.

6. SEEN FROM THE UK, THE REGIONAL AND GENERAL INDUSTRIAL ASSISTANCE CONSTITUTES A TRADITIONAL MEANS BY WHICH GOVERNMENT RESPONDED TO PERCEIVED ECONOMIC AND SOCIAL NEEDS. THE RELEVANT INTEREST GROUPS AND POLICY-MAKERS WITHIN THE UK NEVER TOOK THE CONSTRAINTS OF THE TREATY OF ROME INTO ACCOUNT IN TAILORING INDUSTRIAL SUPPORT PROGRAMS. INDEED CURRENT SUBSIDIES WERE IN PLACE AT THE TIME OF UK ACCES-

SION.

7. THE COMMISSION, FORCED BY ITS VERY NATURE TO TAKE A BROADER VIEW, SEES UK AND OTHER MEMBERS' INDUSTRIAL SUBSIDIES IN A VERY DIFFERENT LIGHT. IT ARGUES THAT NATIONAL SUBSIDIES, IF ALLOWED TO PROLIFERATE, CAN ENGENDER A PATTERN OF PROTECTIONISM WITHIN THE EC WHICH WILL ERODE THE GAINS FROM TRADE MADE POSSIBLE UNDER THE CUSTOMS UNION PROVISIONS OF THE ROME TREATY. UNDER THESE CIRCUMSTANCES, THE COMMISSION EMERGES AS THE FIRST LINE OF DEFENSE AGAINST THESE SORTS OF MEASURES. ITS GENERAL POLICY IS TO OPPOSE NATIONAL MEASURES THAT APPEAR TO GO WELL BEYOND THOSE IN PLACE ELSEWHERE IN THE COMMUNITY. WHILE CLEARLY AWARE OF THE NEED TO MOVE IN A WAY THAT IS SUFFICIENTLY NUANCED TO ENCOMPASS POLITICAL AND ECONOMIC REALITIES, THE COMMISSION INTENDS TO SCRUTINIZE THE FULL RANGE OF UK GENERAL AND REGIONAL SUBSIDY PROGRAMS IN THE COURSE OF 1979.

8. THE COMMISSION IS UNLIKELY TO SINGLE OUT MORE THAN THE MOST EGREGIOUS OF THE UK SUBSIDIES AS TARGETS FOR EARLY ELIMINATION. HOWEVER, THE COMING REVIEW STILL CARRIES WITH IT THE POTENTIAL FOR A CONFRONTATION BETWEEN THE EC AND THE UK. THE INTENSITY OF ANY CLASH WILL DEPEND ON THE COMPLEXION OF THE NEXT UK GOVERNMENT AND THE SKILL OF THE UK PERMANENT DELEGATION TO THE EC IN INFLUENCING BOTH THE DIRECTION AND EMPHASIS OF THE COMMISSION'

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INQUIRIES AND HMLWJS RESPONSE. THIS RAISES THE BRITISH PRESENCE IN BRUSSELS AND ITS ROLE AS AN INTERFACE BETWEEN BRUSSELS AND LONDON. WHAT FOLLOWS IS THE EMBASSY'S VIEW, ON WHICH USEC MAY CARE TO COMMENT.

THE BRUSSELS-LONDON INTERFACE

9. THE BRITISH PRESENCE IN BRUSSELS TAKES THE FORM OF A PERMANENT DELEGATION WITH A STAFF OF 110 TOGETHER WITH CIVIL SERVANTS OF UK ORIGIN WHO WORK IN THE COMMUNITY INSTITUTIONS.

10. THE PERMANENT DELEGATION LOCATED IMMEDIATELY ACROSS THE STREET FROM THE COMMISSION'S HEADQUARTERS BUILDING, THE UK PERMANENT DELEGATION HAS GROWN IN BOTH SIZE AND INFLUENCE SINCE BRITAIN BEGAN THE TRANSITION TO FULL EC MEMBERSHIP IN 1972. INITIALLY VIEWED BY BOTH THE FOREIGN OFFICE AND DOMESTIC AGENCIES AS A BUREAUCRATIC BACKWATER, THE PERMANENT DELEGATION HAS EVOLVED INTO A POLE OF ATTRACTION FOR THE RISING STARS OF THE UK CIVIL SERVICE, THE SOURCE OF 50 PERCENT OF THE STAFF; THE FOREIGN AND COMMONWEALTH OFFICE SUPPLYING THE REMAINDER.

11. THE PERMANENT DELEGATION APPEARS TO HAVE TAKEN ON THE TASK OF EDUCATING THE DOMESTIC CIVIL SERVICE ON THE NEARLY TWO DECADES OF EXPERIENCE FOREGONE BECAUSE OF THE DELAY IN UK MEMBERSHIP. ESSENTIAL TO THE DAILY OPERATION OF THE PERMANENT DELEGATION IS THE DEVELOPMENT AND MAINTENANCE OF CONTACTS WITHIN THE KEY POWER CENTERS OF THE COMMUNITY. THESE, AS SEEN BY THE PERMANENT DELEGATION, IN RELATIVE ORDER OF IMPORTANCE, ARE:

- THE COUNCIL SECRETARIAT;
- THE CABINETS ATTACHED TO EACH COMMISSIONER;
- THE SENIOR OFFICERS OF THE VARIOUS COMMISSION DIRECTORATES.

12. EACH ELEMENT OF THE PERMANENT DELEGATION IS RESPONSIBLE FOR FOLLOWING THAT ASPECT OF THE COMMUNITY'S ACTIVITIES MOST RELEVANT TO ITS INTERESTS. THE ONLY ATTEMPT AT INTERNAL COORDINATION IS A WEEKLY MEETING OF THE SENIOR LIMITED OFFICIAL USE

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STAFF. SUBSTANTIVE COORDINATION OCCURS IN LONDON AT INTERAGENCY MEETINGS AIMED AT THRASHING OUT UK POSITIONS ON GIVEN ISSUES. MEMBERS OF THE PERMANENT DELEGATION OFTEN RETURN TO LONDON TO ATTEND THESE MEETINGS.

13. THIS THUMBNAIL SKETCH OF THE POSITION OF THE PER-

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TREASURY DEPT WASHDC

INFO AMEMBASSY BONN

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MANENT DELEGATION IS ENOUGH TO PROVIDE THE OUTLINES OF A RATIONALE FOR THE SUBSTANTIAL EXPANSION OF ITS INFLUENCE ON ISSUES OF LESS THAN CATAclySMIC IMPORT DURING THE PAST FOUR OR FIVE YEARS. WITH BRITAIN HAVING AGREED TO ABIDE BY THE EC RULES, THE PERMANENT DELEGATION'S ACCESS TO ESSENTIAL INFORMATION ABOUT COMMUNITY ACTIVITIES HAS GIVEN IT A SINGULAR ADVANTAGE OVER UK-BASED BUREAUCRACIES. THE WEIGHT OF THAT ADVANTAGE VARIES WIDELY WITH THE NATURE OF THE PARTICULAR ISSUE, THE SCOPE OF EC AUTHORITY AND THE WILLINGNESS AND ABILITY OF THE INDIVIDUAL PERMANENT DELE-

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GATION MEMBER IN PERCEIVING AND WORKING TO BRIDGE THE GAP BETWEEN BRUSSELS AND LONDON.

14. LOOKING AT THIS PROCESS FROM THE VIEWPOINT OF THE CENTRAL COMMUNITY ORGANS, IT IS CLEAR THAT UK ACCESSION, IF ANYTHING, HAS ADDED TO THE LIST OF DIFFICULT SUBSTAN- TIVE QUESTIONS CONFRONTING THE COMMUNITY. HOWEVER, IT IS FAIR TO ASK WHAT INFLUENCE THE PRESENCE OF UK NATIONALS HAS HAD ON THE WAY IN WHICH THESE INSTPTUTIONS OPERATE. THE ISSUE OF BUREAUCRATIC FORM IS OF SOME IMPORTANCE

SINCE IT MAY INFLUENCE THE OUTCOME ON ISSUES OF SUBSTANCE. SOME INDICATIONS OF THE BRITISH IMPACT ON COMMUNITY DECISION-MAKING EMERGES FROM ONE OR TWO BITS OF ANECDOTAL AND OTHER EVIDENCE.

15. IT IS OFTEN SAID THAT THE BRITISH ARE A PRAGMATIC NATION NOT GIVEN TO PROLONGED EFFORTS TO PRODUCE DETAILED CODES ATTEMPTING TO GOVERN THE GAMUT OF HUMAN BEHAVIOR. THEIR OUTLOOK IS QUITE DIFFERENT IN THIS RESPECT FROM THAT PREVALENT IN THE EC'S SIX FOUNDING COUNTRIES WHERE THE PENCHANT FOR LEGALISM AND FORMALISM IS DEEPLY ENTRENCHED. THEIR PRESENCE WITHIN THE COMMISSION HAS CREATED A POTENTIAL COUNTERWEIGHT TO THE TRADITIONALISTS WHO TEND TO VIEW RULE-MAKING AS AN END IN ITSELF. THESE CONTRASTING VIEWPOINTS HAVE BEEN COHABITING SOMEWHAT UNEASILY SINCE THE ADVENT OF UK MEMBERSHIP. WHILE SPECIFIC EXAMPLES ARE HARD TO COME BY, THERE SEEMS TO BE A FEELING THAT THE BRITISH HAVE HAD SOME LIMITED SUCCESS IN PUSHING THEIR CONTINENTAL COLLEAGUES AWAY FROM SOME OF THEIR MORE FORMALISTIC PROCEDURES. HERE, POTENTIAL FOR MOVEMENT DEPENDS IMPORTANTLY ON THE ADDITIONAL SUPPORT THAT HMG, WORKING THROUGH THE PERMANENT DELEGATION, CAN ENGENDER.

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16. UK NATIONALS AND UK ACCESSION INTRODUCED ENGLISH AS AN OFFICIAL LANGUAGE. THIS HAS GIVEN MANY OFFICIALS A VERBAL ALTERNATIVE TO FRENCH, ONE WHICH THE DANISH, ITALIANS AND DUTCH APPEAR TO HAVE SEIZED UPON WITH VARYING DEGREES OF ENTHUSIASM. STILL, MANY OFFICIALS APPARENTLY PREFER TO WRITE IN FRENCH BECAUSE OF ITS ALLEGED GREATER CAPACITY FOR CLARITY OF EXPRESSION. IT COULD ALSO BE THAT THE FRENCH GOVERNMENT'S REFUSAL TO PERMIT NATIONAL QUOTAS FOR SECRETARIAL AND STENOGRAPHIC STAFF HAS PREVENTED THE RECRUITMENT OF MANY ENGLISH LANGUAGE OFFICE STAFF WITHOUT WHOM WRITTEN ENGLISH IS NEVER LIKELY TO CHALLENGE THE DOMINANT POSITION OF FRENCH.

#### CONCLUSION

17. BRITAIN ENTERED THE COMMUNITY WELL AFTER INITIAL RELATIONSHIPS HAD BECOME INGRAINED. ITS ATTITUDE MIGHT BE DESCRIBED AS AN AMORPHOUS COMBINATION OF VAGUE SUSPICION TEMPERED WITH A GENERAL WILLINGNESS TO ABIDE BY THE RULES OF THE BRUSSELS GAME. BOTH THE UK AND THE CEN-

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TRAL COMMUNITY INSTITUTIONS ARE UNDERSTANDABLY WARY --  
PERHAPS NERVOUS ABOUT THE SOLIDITY OF THEIR NEW LINKS AS  
WELL AS THE UNPREDICTABLE LONGER-TERM INFLUENCES OF THE  
OTHER'S PRESENCE. THOSE INFLUENCES, ALREADY AT WORK,  
ARE LIKELY TO WIDEN THE AUTHORITY OF THE CENTER WHILE  
AT THE SAME TIME TRANSFORMING IT INTO SOMETHING MORE  
FAMILIAR AND THEREFORE MORE ACCEPTABLE TO THE BRITISH.

18. NEVERTHELESS, THE PACE OF INTEGRATION WILL REMAIN  
GLACIAL FOR THE FORESEEABLE FUTURE. THE PROBABLE  
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ADDITION OF 3 NEW MEMBERS, THE ADVENT OF A DIRECTLY  
ELECTED EUROPEAN PARLIAMENT, AND THE LESS THAN OVER-

WHELMING ENTHUSIASM OF THE PRESENT LABOR GOVERNMENT OR ANY CONSERVATIVE ALTERNATIVE ARE ALL BARRIERS IN THE SHORT TO MEDIUM TERM. THAT SAID, THIS MESSAGE MAY HAVE REVEALED ONE OR TWO CLUES ABOUT THE POTENTIAL FOR DEEPENING THE UK-EC RELATIONSHIP. THE SLOW FORGING OF BUREAUCRATIC LINKS AND THE GROWING ATTRACTION OF SERVICE IN BRUSSELS TO THOSE APPARENTLY DESTINED FOR THE MOST SENIOR LEVELS IN THE BRITISH CIVIL SERVICE ARE SIGNS THAT THE MEANS AND STRUCTURAL UNDERPINNINGS FOR FUTURE MOVEMENT TOWARD INTEGRATION ARE COMING INTO EXISTENCE.

19. THESE DEVELOPMENTS, WHILE NECESSARY PRECONDITIONS, ARE NO ABSOLUTE GUARANTEE OF PROGRESS. SET AGAINST THEM IS THE STIFF OPPOSITION OF CERTAIN SEGMENTS OF THE POLITICAL SPECTRUM TO ANY STRENGTHENING OF BRITAIN'S LINKS WITH THE COMMUNITY. THIS OPPOSITION REFLECTS A CONTINUING CURRENT WITHIN UK PUBLIC OPINION WHICH FAVORS A RESTRUCTURING OF THE UK-EC RELATIONSHIP SO AS TO END THE EROSION OF BRITISH SOVEREIGNTY.

20. WHETHER SUCH TENDENCIES WILL CARRY THE DAY IS STILL IN THE BALANCE. WHAT IS MORE CERTAIN IS THAT WITH EACH PASSING YEAR, THE ECONOMIC AND POLITICAL COSTS OF REVERSING THE PROGRESS OF INTEGRATION RISE, MAKING THE POSITION OF THOSE WHO OPPOSE FURTHER EROSION OF SOVEREIGNTY THAT MUCH MORE DIFFICULT.

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